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THE DUTCH COLONIAL FISCAL SYSTEM.

With the exception of unimportant posts on the Gold Coast of Guinea, resigned to the English in 1871, the colonial possessions of the Netherlands have remained substantially the same since the Napoleonic period. There have been some territorial rearrangements in the East, but these and the greater changes that preceded them deserve no detailed treatment in a sketch of the modern fiscal system of the Dutch colonies. The present possessions are divided for administrative purposes into three groups:—the East Indies, Surinam and Curaçao. Of these groups the first, comprising a large part of the islands in the Malay archipelago, is by far the most important. It surpasses the Netherlands not only in area and population, but also in the amount of its annual expenditures and revenues, and in quantitative comparison with it the other possessions are insignificant. In this report, therefore, the fiscal affairs of the East Indies will be described apart from those of the other colonies, and in much greater detail.

The contrast between the Asiatic and American possessions is not alone one of magnitude. There is the further distinction that the Asiatic colonies have for a large part of the century returned a net surplus to the home treasury, while the American colonies have been and still are a drain upon it. Table A.,¹ which states the expenditures of the Netherlands on colonial account, shows that both Surinam and Curaçao depend upon the governing country for the payment of certain fixed ex-

¹ P. 101.

penses and for subventions in addition. The expenditures of the Netherlands charged to the department of the colonies, which amounted to little over 100,000 florins per annum before 1862, but which have been since then in most years a little over 1,000,000 florins per annum, represent constant support given the American dependencies, aside from the special appropriations for emancipating the slaves. To the East Indies, on the other hand, no aid is granted by the governing country, even in case of a deficit in the colonial finances. This deficit has become a regular occurrence in recent years, and the Netherlands can no longer count upon the subsidy that the Indies used to return. This subsidy still appears in the estimate of revenues of the state—"Contribution of Dutch India to the revenues for payment of the kingdom's expenditures"—but no sum is set opposite the item. In the estimate for 1900 only two payments were counted upon as coming from the colonies, and both of these were sums due from the Indies for the charges on debt that had been contracted to cover deficits in the Indian finances.

A catalogue of all the islands included in the Dutch possessions in the East would serve but poorly the purpose of indicating the territory which forms the basis of the Dutch colonial system, by diverting attention from the cardinal importance of Java. That one island, with the small island of Madura, supports on an area little larger than that of the State of New York a population of 26,125,000 (more than 500 inhabitants to the square mile), while the other Dutch possessions in the Indies (outer possessions — *Buitenbezittingen*) with an area thirteen times as great have a population little more than one-third that of Java and Madura and furnish only about one-sixth of the total revenues. Throughout this

century Java has formed the main field of activity of the Dutch financiers, and Java has supplied the surplus revenues that have enabled the Dutch to extend their rule in the other eastern possessions.

In 1800, when the control over the Indian possessions passed from the East India Company to the state, the Dutch really governed only a small part of the territory, even in Java ; most of the native states maintained their existence under a Dutch protectorate. A small part of Dutch India is still governed by the native princes, but the tendency has been toward a constant extension of direct rule by the Dutch, and the exceptions to this rule in the more advanced and prosperous parts of the archipelago, the parts with which this paper is most directly concerned, are now rather formal than real. The native princes have become salaried officials, and maintain an influence only in so far as they can make themselves useful in forwarding the plans of their foreign rulers. The distribution of powers among the Dutch is, therefore, the only point to be considered in this sketch of the system of government. Of the government in India it may be said that strict centralization is the most marked feature. All power proceeds from the Governor General, who is limited in his action practically only by his responsibility to the home government. An advisory council is given him, but it is set below rather than beside him. There is absolutely no local autonomy, and there are no municipal fiscal systems. The expenditures for lighting the streets in Batavia and Macassar appear in the budget that is framed under the supervision of the Governor General and debated and adopted by the Dutch Chambers.

In the first half of the century the Governor General exercised his important functions subject alone to the

King or his minister. As a result, however, of the liberal movement in the Netherlands the States General demanded a share of influence in the direction of colonial affairs, and the constitution of 1848 substituted for the personal rule of the King the government of the legislative power, the King and Chambers. The Chambers (with the King) established in 1854 the *Regeeringsreglement*, a sort of colonial constitution defining the functions and powers of the different members of the Dutch government in India, and they gave increasing attention to the details of colonial government as time went on, until in 1867 they assumed the important power of voting the budget for the Dutch Indies annually. The increased ease of communication due to steam and electricity has made the control of the Chambers over Indian affairs more and more effective, and has stimulated the Chambers to busy themselves with the details of colonial government so much as to bring down on them the charge of mischievous interference. The two reforms most desired at present by those interested in the welfare of Dutch India are decentralization and the liberation of the colonial possessions from the fluctuations in policy due to party changes in the Netherlands.

The financial policy pursued by the Dutch in their eastern dependencies can be divided chronologically into three periods.

The first, extending from 1800 to 1830, was a period of experiment. The East India Company had left the native taxes as they were, and had made its gains for the most part by tribute levied on the princes. An attempt to establish a uniform system of taxation, based mainly on the land tax and modelled on the system of British India, failed by reason of the difficulty of admin-

istration and the demands for greater revenues to meet extraordinary expenditures in the Indies and in the Netherlands.

In the second period, extending from 1830 to about 1860, the policy of reform gave way to the policy of "net surplus" (*baatig slot*) for the benefit of the governing country. The possessions were exploited without mercy. The land tax established in the former period was retained, but the Dutch found that in raising revenue the old customary dues in labor and in kind offered the line of least resistance, and these were extended and adapted to form the "culture system".¹ The natives were required to give a certain proportion of their land and of their time to the cultivation of specified products, which the government took from them at a small fixed price and sold in the European market. Thanks to favoring conditions in the market, especially the rise in the price of coffee, the government secured a return much in excess of the costs of economic and political administration. The net surplus was obtained, however, only by tolerating many vicious features in the administration and by pressing the native cultivators beyond endurance. Expenditures, on the other hand, especially on items like education and the administration of justice, were reduced to a point that menaced the permanent welfare of the people. The application of the culture system to obtain a net profit resulted in serious evils, both economic and political, and as these became better known in the Netherlands they roused an opposition to the system that made reform inevitable.

¹ The characteristics of the culture system are described in detail by the present writer in an article in the *Yale Review*, VIII, 420, Feb., 1900.

No date can be set as marking the end of the culture system, and in fact a remnant of it is still in operation, but changes in the financial system occurred in the period immediately following 1860, so important that a new period may be said to have begun then. These changes can be summarized as follows. The forced cultures were abolished in favor of free cultivation, those going first that were most burdensome to the natives and least profitable to the government. Up to 1880 the receipts from the sale of products by the government amounted to more than half of the total revenues, but the proportion has now sunk to one-fifth or less; in absolute amount the receipts from this source of revenue have declined from 70-80,000,000 florins to 20-30,000,000. The decline in government revenues from the sale of products forced an amendment and extension of the other sources of revenue, which has given them a much more important place in the fiscal system. So far as possible the government made up for its losses on sales by direct taxes on production, or by export duties. The taxes on natives were subjected to a thorough revision, and the system of farming out the taxes gave way, in most cases, to direct administration by the government. Finally, the taxes on Europeans were extended to accord with the increase in the class of merchants and planters, who had been given little encouragement to settle in the islands while the culture system was in operation, but who have grown constantly in numbers since the chance to profit in industrial enterprise has been more freely opened to them.

Aside from annual fluctuations, due in large part to the aleatory character of the receipts from the sale of products, the revenues have varied but little from the figure of 130,000,000 florins during the last thirty years.

The change from a surplus to a deficit, is due to an increase of expenditures, partly the ordinary ones necessary for proper government of the natives, but especially the military expenditures occasioned by the stubborn resistance of the natives of Atjeh, northern Sumatra, to the extension of Dutch rule. The war in Atjeh began in 1873, and is still going on. Before this war the home government had been used to receive substantial subsidies every year, which had been applied in large part to the reduction of the national debt, and after 1860, to the building of railroads.¹ Since 1840 this subsidy had been made up of two parts, a fixed annual payment of 9,800,000 florins for interest on the Indian debt, and a variable sum in addition, which absorbed the rest of the Indian surplus. The distinction between the two items was given up in 1864, after the debt had long been paid, and the state appropriated to itself the surplus in a lump sum. There was a feeling in the Netherlands that the treasury ought not to rely on the Indian contributions as a regular source of revenue, but the Dutch finances became in fact more and more dependent on it, and a proposal to limit the contribution to 10,000,000 florins, and to apply the rest to the service of the Indies was rejected in 1869. The outbreak of the Atjeh war necessitated a change. In the budget of 1874, the ordinary revenues and expenditures of the Netherlands were made to balance, without the help of an Indian subsidy, for the first time since 1814. But this result was accomplished only by means of questionable book-keeping, and the state was soon forced to obtain by loans and by other taxes the sums that the Indies had formerly contributed. The

¹ Estimates of the net surplus vary considerably. Pierson puts it at 781,000,000 florins for the period 1840-1874. Van der Berg makes it 725,000,000 florins, 1831-1871. (Boissevain, *Ned.-Ind.*, *De Gids*, 1887, II., 337). Other estimates in de Louter, 273.

Indian contribution appeared in the estimates of revenue for the last time in 1877, and then only for a small sum, originating in the back-payments of former years. Since then there has been in exceptional years (in 1889, in 1890, and in 1893), a surplus in the Indian finances, but the Kingdom of the Netherlands has not benefitted by it, because there has been no legislative authority to appropriate it. The Chambers have not been able to agree on the principle or the amount of the contribution, though since 1878 many laws have been proposed to settle permanently the financial obligation of the Indies to the Netherlands. Most of the laws aimed to fix a certain annual subsidy, varying from 2,000,000 to 6,000,000 florins, and to give the rest of the surplus in whole or in part to the Indies. Interest in the question has flagged in the Netherlands, because it has no practical importance so long as the Indian deficits continue, and the whole subject still awaits settlement.

In Table B¹ a statement is given of the revenues of Dutch India, arranged according to the classification of the Dutch Statistical Bureau. Some features of the classification seem unreasonable, but it rests upon high authority, and at any rate is accurate enough to give a general idea of the grouping of revenues. The purpose of this report will be best served by confining the text to a description of the most important sources of revenue, leaving to the reader the comparison with other colonial systems and the generalizations to be drawn therefrom. The large part played by the sale of products and by the government monopolies is noteworthy. In regard to the direct taxes the most interesting feature is the arrangement of parallel taxes on

¹ Pp. 101-102.

Oriental and on Europeans.¹ The direct taxes seem to have been modelled, but with variations, on the Dutch taxes whose names they bear. Index letters refer to the tabular statement.

a. *Landelijke inkomsten*. Aside from some small special taxes on land and fish-ponds, this source of revenue is made up of one item, the land-tax, (*landrente*), the most important single direct tax in Dutch India, though confined to Java and Madura. This tax was introduced during the period of British rule in Java, 1811-1816, and has been retained ever since as a tax on that part of the land which is held by native customary tenure, while land held by non-natives is now reached by a parallel tax, the *verponding*. A law passed after long agitation, in 1872, attempted to define the principles and regulate the details of the land tax. Before that date the tax had been raised by a system of bargaining (*admodatie-stelsel*), between the government officials and the village head-men, and the best fighting side came out ahead, inside the broad limits set by the needs of the government and the prosperity or adversity of the village. Now all was to be strictly regulated. All villages were to be put into one of ten classes, according to the gross product of the land, villages in each class were to pay a different sum per unit of area, the classification was to be revised every five years, etc. The law has been severely criticised for some of its provisions—the imposition village-wise and not on individuals, the adoption of the gross and not the net product for the basis of assessment, and other features, seemed faulty. Into the details of this criticism it is

¹ In 1895 there were 51,484 Europeans and 256,055 Chinese in Java and Madura, 11,831 Europeans and 213,479 Chinese in the other possessions. The number of Arabians and other Orientals was less than that of the Europeans.

not worth while to enter, for the law has really never been carried out. Native custom is too strong, and knowledge by Europeans of the actual individual conditions of the lands and villages is too slight. A village pays a certain land tax now not on any statistical basis but simply because it has paid that sum in the past and because experience has shown its ability to pay it. From time to time there are rough readjustments that lower or raise the tax of certain villages as conditions change or knowledge of the conditions increases, but the attempt to regulate the whole land-tax by general legislation has been given up. Cadastral surveys are going forward, and with them an approach to the imposition on individuals which is an essential preliminary to any systematic reform of the tax. Under the present system investigation has shown that in each village the land-tax is apportioned by a different method.

b. *Verponding*. The preceding tax has a complement in a tax on all real property which is held by title according to the European fashion, even though the owner or occupant is a native. This tax extends over all of the Dutch Indies. By reason of its application to a picked class of the population, the members of which can be reached individually by the government, it is much more systematic in its action. Land and buildings are assessed every five years, the latter being valued at ten times the gross annual rental.

c. *Belasting op het bedrijf*. The business tax is divided like the land tax, into two parts, one designed for natives and one for Europeans. In the case of this tax, however, foreign Orientals (Chinese, etc.) are grouped with the natives, but are rated twice as high, paying 4 per cent. instead of 2 per cent. The tax is

levied on the earnings of all Orientals who are not subject to other taxes, (*i. e.*, practically all who are not cultivators of the soil) with the exception of officials and natives whose earnings are less than 25 florins a year. Schedules are made up every year by local commissions, and the tax is collected through the village head-men and the heads of the Chinese quarters. In 1895 the average payment per capita was in Java and Madura for natives 1.73 florins, for Chinese 10.56 florins, for other foreign Orientals 8.60 florins. A minimum of 1 florin per capita for natives was abolished in 1893, causing for two years a shrinkage in the receipts which has since been made up.

d. *Patentrecht*. The business tax on Europeans was not introduced till 1878 and then only in the face of a strong opposition. It amounts to 2 per cent. of the net income received from any form of gainful enterprise, which is not conducted entirely by or for the profit of natives. Planters deduct from their gross receipts the amount of the land tax. The only exemptions are in favor of officials, missionaries, etc., and stock companies with offices in the Netherlands and taxable there. The last exemption, which is designed to avoid double taxation, has caused Dutch India to lose a considerable amount of revenue which fairly should come into the treasury. A number of attempts to remedy the injustice proved abortive, but in the present budget of Dutch India (1900) an item appears, "Reimbursement of the revenues of Dutch India from the yield of the Dutch business tax," which is put at 300,000 florins.

e. The *personeele belasting* is a direct tax on consumption introduced in 1879 and imposed on Europeans and foreign Orientals, with a slight distinction between the two classes. The principle and name were borrowed

from the Dutch tax on personal property, but the colonial tax has been modified, and shows, it is said, an improvement over its model. It consists of 5 per cent. of the rental value of domiciles, 2 per cent. on the furniture, and a fixed payment for each horse and carriage kept for purposes of luxury.

The tax on vehicles (f. *belasting op rijtuigen*) is a special tax levied on the natives of Java, payable by the owner of each cart or wagon, even though it be used for business purposes.

g. *Vendurecht*. The tax on public sales has been levied in Java since the seventeenth century. Its main interest lies in the function that it assigns to the state of insuring the fulfillment of purchases made on credit by one native of another.

h. *Hoofdgeld*. The poll tax, which in many countries is regarded as one of the most oppressive taxes, has been in Java and Madura a boon to the people in relieving them from the labor dues that used to be exacted by the officers of the native states. Under the primitive conditions of native government these dues formed one of the most important sources of public revenue. The imposition of taxes by the Dutch, and the extension of the culture system with its demand for special labor dues did not lead to an abolition of the *heerendiensten*, "services due to the lord", which were exacted by the Dutch government and by the native chiefs and head-men without reasonable limit. No part of the tax system bore so heavily on the subjects in comparison with the small amount of benefit that it brought to the rulers. The poll tax represented originally the commutation of a certain part of these services, the *pantjen-diensten*, which included all services owed to natives above the rank of village head-men. This class of services was

abolished in 1882, and a tax of one florin was levied on each man who had owed services, to recompense the official class of natives for the loss. The revenues proved to be more than necessary for this purpose, and the surplus has been appropriated to the abolition of other services. At the present time more than half of the total is available for this extension of commutation. It is the desire of the government to raise the poll tax in each district as rapidly as the conditions permit, and to apply the proceeds to the abolition of labor dues in the same district, but experiments made from time to time have shown that the process of commutation is difficult and must be slow. For a complete transformation of labor into money dues it is estimated that a tax of two to three florins per head would be necessary. It is especially difficult to reach and regulate the dues owed to the headmen from the members of the village, and these will probably remain long after the more public services have been abolished. At present the amount of time required by the government itself is very moderate in comparison with the amount that used to be exacted. Taking all of Java and Madura together, the mean number of days given by each man owing services is about six in a year. In some residencies the number goes down to one, and the highest mean of any residency is ten. The labor is applied to the construction and maintenance of roads, bridges, irrigation works, public buildings, etc., the manning of watch-houses, and the watching of water-works. In the outer possessions there is a great variety of conditions. The maximum number of days required in any district, exclusive of communal services, is 42 and, in general, the progress is much behind that which has been made in Java and Madura. The poll tax levied in many of the outer possessions

seems to have no bearing on the commutation of labor dues.

Of the indirect taxes, duties and excises are by far the most important. i. Of the revenue from stamp duties, transfers and successions, more than half comes from the stamp duties, *zegelrecht*, which are imposed in all of the Indian possessions, and to which natives are subject as well as other Orientals and Europeans. The inheritance tax imposed on Europeans, *recht van successie en overgang*, yields but 72,000 florins, as estimated in the budget of 1900, while the tax on transfers of real property, *recht van overschrijving van vaste goederen*, yields 644,500. This last tax, however, is not strictly confined to real estate (it includes ships) and it shares the field of the inheritance tax in some respects.

j. *In- en uitvoerrechten*. During the early part of the century the system of differential duties to protect Dutch products and shipping was consistently maintained, limited only by the treaty obligations to other powers. In spite of the fact that the Dutch paid but half of the import duty imposed on foreigners they were unable to secure control of the market from Americans and English, and when the differential duties were lowered, in the years after 1865, and finally abolished in 1874, the trade not only of the Indies but of the Netherlands as well gained by the change. Since 1874 the Indian tariff has been on a purely revenue basis. A nearly uniform rate of 6 per cent. was maintained until 1886, when the demand for more revenue from this source led to an increase to 10 per cent. on some articles. Out of a total of 9,141,785 florins raised by import duties in 1897 more than half was levied on five articles, woven goods, spirits, food stuffs (excluding fish and butter), gambier (called cutch in British India, used with betel

for a masticatory) and fish. Both specific and ad valorem duties are in force. Articles not specified in the tariff pay 6 per cent. ad valorem. The free list includes most metals, raw materials, tools and cattle; all goods are free, moreover, when imported from some other possession in the Dutch Indies in which the same tariff is in force, or when imported for the use of the government. Most of the possessions are under the one tariff, but some are free from it entirely (Celebes, Timor, etc.); some have much lower rates (East Sumatra); and some have special individual tariffs (Indragiri). Export duties used to be imposed on a very large number of articles, but the number has been constantly diminished. In 1886 a proposition to abolish them entirely was lost by only two votes in the Dutch Chamber, while a counter proposition to abolish them only for exports to the Netherlands (so re-establishing a differential) was overwhelmingly voted down. In 1897 the export duties gave to the treasury 2,010,389 florins, the most important articles contributing as follows in thousands of florins: sugar 774, coffee 420, tobacco 367, tin 187, indigo 79. The export duty on sugar was suspended for a number of years after 1887, owing to the depression of the sugar industry, and was finally abolished in 1898. A royal decree of Dec. 30, 1899, established an export duty upon forest products in the outer possessions; an attempt had been made in 1880 to impose such a duty, but there was such strong opposition from the interests affected that at that time the plan was rejected by the Second Chamber.

k. *Accijnzen*. Under this head are included internal taxes imposed on the production, or, in the case of tobacco, on the movement from one possession to another, of articles subject to import duties. In 1897

the excise on petroleum gave about three-fourths of the total revenue received under this head, and the remainder came from matches, distilled liquors and tobacco.

l-o. It is not necessary to enter into the details of the other items grouped under taxes (*belastingen*) by the Statistical Commission, or to inquire why some are placed under that head. A few points are, perhaps, worth noting. The receipts from education include 100,000 from the schools for natives. The charges for pilotage and the like are more than half net profit to the government, and are imposed without favor on the ships of all nations. Though the post and telegraph return a surplus, it amounts to no more than the fictitious charges for government letters and telegrams. Among the miscellaneous receipts there is one item of interest, a remnant of what was once the universal system, a "contribution" from the native states in Celebes for the protection afforded by the Dutch, amounting to less than 25,000 florins.

The revenue from the sale of products on government account is still a very important item in the finances of Dutch India, in spite of the extension of taxes proper since the reform of the culture system. The three products that deserve special notice under this head return their revenues under three different systems of management.

p. Coffee is still cultivated on the plan of the old culture system, by forced labor. As lord of the land the state reserves land suitable for coffee culture that has not already been brought under cultivation by the natives, and imposes on villages in its vicinity the obligation of maintaining coffee plantations on it. With the exception of certain classes, all landholders in a village in the coffee district are required each year to plant a

certain number of trees, fifty at the most, to cultivate them, pick and prepare the product, and deliver it to the government at a fixed price per pikol (133 lbs.). Natives who are not bound to the coffee culture are allowed to grow coffee, but must sell the product to the government at a fixed price. In 1896-7, 287,915 families were subject to the system of forced culture, but less than half of these were required to plant new trees, the others simply maintaining those that were already under cultivation. The total number of trees under forced culture was estimated at 66,000,000, while the number under free cultivation by the natives, the product of which had to be sold to the government, was 180,000,000. The price paid at present is 15 florins per pikol, for coffee of good quality, 7.5 florins for an inferior grade, and the total cost to the government, including the price, is from 17 to 20 florins, taking the mean of the years 1893 to 1897. In that period the government sold its coffee in the Netherlands for about 69 florins gross, or 57 florins after deducting the expenses of transportation and sale. The gain in some years is very considerable, but varies greatly, of course, with the crop, and the price that can be obtained for it. In the estimates for 1900, the receipts from coffee are put down at 10,185,815 florins, and the specific expenses of the administration for coffee at 5,713,461 florins. At present the government coffee culture in the East Indies is declining, and more than half of the crop is now grown by private planters, who have the free disposal of their product. There is not enough flexibility in government management to enable the culture to withstand such shocks as the coffee blight, and under a system of compulsion it has proved impossible to prevent hardship and suffering of the natives. It is generally recognized that

the government culture is a clumsy and wasteful mode of raising revenue, but it is so firmly established, and the difficulty of developing new sources of revenue is so great, that it will probably continue for some time longer. A royal commission investigated the question in 1889, and advised that the feature of forced delivery should be retained, but that the price paid to the natives should be raised, and that the forced culture should be abolished. In the discussion of the Indian budget of 1893, the Second Chamber passed a resolution that the government should make it its constant object to do away with the coffee monopoly, and should either lease the lands or pay the natives working on them the market rate of wages. Since then the obligation to sell coffee to the government has been given up in four of the twenty residencies in Java.

q. During the latter period of the culture system the government introduced the cultivation of the cinchona tree in the highlands of Java, with the idea rather of adding to the resources of the country than of increasing the revenues. The government plantations were carried on like private enterprises by free laborers, and were designed simply to stimulate planters and natives to raise cinchona. For some twenty years the government conducted the enterprise at a loss, but since about 1880 there have been returns in excess of the costs of cultivation. During the four years, 1892 to 1895, the net return varied from 6,858 florins to 12,650 florins, and in 1896 it reached the much higher figure of 102,013 florins. The government crop has for a number of years been less than one tenth of the total amount of cinchona bark raised in the islands.

r. While in the cinchona culture the government has no advantage over private competitors except in its con-

trol of the waste land of the country, it has in tin production a natural monopoly which it has inherited from the Sultan of Banka. The government exploits the tin mines of Banka through contractors, mostly Chinese, to whom it pays a fixed sum of 13.50 florins per pikol for the tin which they produce, beside making them advances in various ways. The total cost amounted in 1897 to 27 florins per pikol, and in that year the government sold in the Netherlands 157,354 pikols at a price of 45.26 florins. The mines in Billiton are worked, on a concession, by a private company, the *Billiton-maatschappij*, whose relations with the government in the past have occasioned some scandal. According to the present concession, which lasts to 1927, the company is required to turn over five-eighths of its net profits to the state. The share of the state in the gains of the company was estimated at 2,150,000 florins in the budget of 1900.

s. Of the other products produced and sold by the government there is but one of great importance, the coal from the Ombilien mines in Sumatra. In 1900 the receipts from the sale of coal were estimated at 2,648,000. Against this figure should be set the sum of 1,627,350 appropriated for the expense of working the mines.

t. Opium takes in the eastern world much the same position as that taken by spirits in the western, and imposes on the statesman very similar problems. Prohibition has, in the past at least, proved impracticable in most cases, and all that can be done is to provide that the people should get as little harm and the treasury as much money as possible. In practice the government has assumed the monopoly of the wholesale trade in opium, importing the entire supply from British India and pro-

hibiting home production, and has got its revenue by farming out the privilege of retail trade to the highest bidders. The twofold object, gain to the treasury and prevention of harm to the people, would seem to be attainable by charging the opium farmers a high price for the drug, but smuggling became so prevalent when this was done that both the treasury and the people suffered. To prevent smuggling the "tiban and siram" system was introduced. An estimate was made of the amount of opium which the people of a district were sure to want, and this amount (*tiban*) the farmer was compelled to buy at a high price. If he wanted more it was furnished him (*siram*), up to a certain maximum, at cost. An experiment with the abolition of the upper limit led to a tremendous increase in consumption, and the government returned to the policy of setting a maximum for the amount furnished each district, but charged the same price for all quantities. Smuggling was prevented so far as possible by elaborate administrative regulations and by a liberal policy in setting the maximum. This is the policy followed in the main at present. Its most serious fault is the natural tendency of the opium farmers to make up for the price that they pay the government for their privilege by increasing their sales in any way possible. In 1893 an experiment was made in certain districts with government administration of the retail trade, by salaried officials, and the success attained has led to an extension of the system, which will undoubtedly become universal in time. The greatest part of the receipts from opium represent net revenue, the cost of the drug and the expenses of administration being only about 2,000,000 florins.

11. The salt monopoly has often been attacked as an

undue burden on the natives, but in view of the fact that no general poll tax is imposed in Dutch India this source of government revenue seems justified. The government maintains a monopoly of the manufacture of salt, and sells the product at a fixed price to the people. The government price used to vary considerably in different parts of the archipelago, but the price of 6.72 florins per pikol is now almost universal.

v. The small leased revenues (*kleine verpachte middelen*) include a great variety of payments grouped by the Dutch statisticians under the head of monopolies, though they vary greatly in character, and are alike only in that they are all of long standing, affect only Orientals, and are all farmed out. They comprise taxes on the slaughter of cattle and pigs, on Chinese gambling and theatrical entertainments, the lease of birds-nest cliffs, etc.

w. The state forests, especially valuable for the teak which they furnish, have in the past been exploited generally by auctioning off to individuals the right to cut the timber on a certain area. There is at present a tendency to extend the action of the government, and to manage the forests directly for the profit of the state.¹

x. Of the railroads in Dutch India three-fourths in mileage were constructed and are run by the state. The net returns, above operating expenses, amounted to 4,621,672 florins, a return varying on the different lines from 1.66 per cent. to 6.75 per cent. of the cost of construction. A steam tramway in Atjeh gave a net return of 46,301 florins, and the state received in addition 162,000 florins from the private lines.

¹ Details of recent regulations in an article by van Ossenbruggen, *Jahrbuch f. vergl. Rechtswissenschaft*, IV., 685, ff.

In regard to the expenditures of the Dutch Indies (Table C, p. 102) it should be noted that all are supposed to be for the benefit of the Indies, not of the Netherlands, even though the money is laid out in the home country. Items appear in Section I, Expenditures in the Netherlands, like "expenses of sending letters and telegrams to the Indian government", "expenses of commission to report on legal reforms in Dutch India", "share in the expenses of the Royal Cadet Academy"—there is a tendency to force the Indies to be absolutely self-supporting, but the writer has observed no case in which the Indies have been levied upon for expenditures which are for the sole benefit of the Netherlands. It is very possible that the Indies bear more than their proper share of some expenditures which are of common interest, but these items are so small that the question is of theoretical rather than practical importance.

Running through the items under Section I, it will be seen that the largest are those of finance (interest on debt 4,288,000, pensions 7,331,900), public works (largely railroad supplies), war and navy. The Indian possessions bear the entire burden of their military and navy establishment, paying not only the expense of maintaining it in India, but also the costs of recruiting and transporting the men, and even a share of the costs of educating officers in the Netherlands, maintaining the hydrographic bureau there, etc. The expense of construction and equipment of the fleet is borne also by the Indies, so far as regards the ships designed for permanent service in eastern waters. The Dutch government provides an auxiliary squadron of two armored and four unarmored cruisers, of which only the maintenance, not the construction, is paid out of the Indian revenues. This is, so far as known to the writer, the only exception to

the general rule that the Indian possessions shall pay their own way.

The items under Section II, Expenditures in the Indies, need little comment. Attention should perhaps be drawn to the fact that expenditures on the different products whose sales form part of the government revenue, appear under several divisions, expenditures on opium under III, on coffee, cinchona and forest products under IV, on tin, coal and salt under V. These items do much to swell the expenditures, especially in division V, in which the expenditures on education and religion are much less than half of the total. In division VI, Public Works, the cost of building and running the railroads and telegraph lines is a little more than half of the total expenditures, the construction and maintenance of irrigation works are about one-fifth. The amount expended for the war department is the more remarkable as the population of Java is one of the most peaceable of any in the world, and there is little need for an army except as the government pursues the policy of expansion in the outer possessions, the policy to which it is now devoted.

The budget of the Dutch Indies is divided into four parts, each ratified by a separate law. The two parts determining expenditures and revenues in the Netherlands are prepared under the direction of the Minister of the Colonies, and the result is cabled to the Indian government before February of the year preceding the budget year. Meanwhile the Director of Finance in the Indies has been preparing the estimates for the second section of the budget, comprising the expenditures and revenues in the Indies, which he now revises to accord with the proposals of the home government. The whole is then submitted to the Governor General and Council for correction and approval. After such changes as seem

desirable have been made the whole budget is sent to the Netherlands, passes under the revision of the Department of the Colonies, then goes to the Council of State, and by September at the latest to the States General, accompanied by a message from the Minister of the Colonies explaining its provisions. The budget is referred to a committee of five in the Second Chamber, whose report furnishes an opportunity to criticise the policy of the government in general and detail that is answered by another message from the Minister seeking to justify the course of the government and full of promises for the future. In the budget of 1900 amendments were made in 24 articles before it was passed by the Second Chamber. The Second Chamber contented itself with general criticism, to which the Minister replied as above. After the budget has gone into effect, the Governor General is allowed to make transfers of appropriations within the limits of a subdivision, and the subdivisions are pretty broad. Thus, for example, in the division of appropriations for education, religion and industry, different subdivisions comprise each an object of expenditure like education of Europeans (2,700,300 florins), education of natives (1,409,489 florins), religion (713,400 florins), medical service (2,028,818 florins), tin (4,789,833 florins), etc. The appropriations for unforeseen expenditures in each division insure in another way a certain flexibility, and in addition the Governor General is authorized in case of necessity to borrow the means of meeting unanticipated expenditures if he notifies the King immediately of his action. Such action must be ratified as soon as possible by the legislative power, but ratification is almost never refused, and the Indian government takes full advantage of its liberty in this direction.

The variable character of the revenues from the sale of products and the fact that the Indian government is obliged to make its estimates so long before the opening of the year, have led in the past to great differences between the estimated and the actual results. From 1871 to 1884 the expenditures exceeded the estimates by 111,000,000 florins, a mean of nearly 8,000,000 a year. There has been some improvement in this respect, as can be seen from the following table, in which the contribution of India to the Netherlands is omitted from the expenditures. Figures are in millions of florins :

	1867		1877		1886		1895	
	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.
Estimated	120	104	136	134	134	140	128	138
Actual	138	110	163	159	131	128	131	144

There has been great improvement also in the promptness with which the year's accounts are closed.

During the fat years of the culture system the debt contracted by the Netherlands in behalf of the Indies was paid off, but the deficits of the following years have caused the Indian treasury to run further and further behind. An advance of 18,000,000 florins was made to the Indian government in 1884, raised by a loan contracted by the Dutch treasury. In recent years the Department of the Colonies has been borrowing heavily of the Department of Finances, which was authorized by a law of 1897 to make advances to the Indian revenues up to the amount of 48,000,000 florins. The floating debt issued to cover the Indian deficits increased till the interest charge amounted to over a million florins in 1897. This led to the passage of a law in 1898 authorizing a 3 per cent. state loan in behalf of Dutch India, fixed at 57,815,000 florins. The budget of Dutch India for 1900

appropriates 3,848,000 florins for the interest, costs and payment of the 3 per cent. debt, and 440,000 florins for payment of charges on floating debt.

The Dutch colonies in America are Surinam or Dutch Guinea and Curaçao, a colony consisting of the island of that name, and other small islands lying north of Venezuela. The most striking difference between these possessions and those in the East Indies is one in size, especially in population. Surinam had in 1897 a population of 67,767, of whom 766 were Europeans, excluding those serving in the army and navy. The total population of Curaçao was 50,705, and of these but 438 were natives of the Netherlands. Further it should be noted that the real native population is insignificant, and that the bulk of the people are negroes or coolies. As there was no indigenous civilization, with an established tax system, all the taxes have been introduced by the Dutch.

There is little difference between the fiscal systems of Surinam and Curaçao. In theory the colonial government, composed of a governor and legislative council, is empowered to determine the revenues and expenditures of the colony, subject to the approval of the King. The salary of the governor, and the expenses of the army and navy, being paid by the Netherlands, are removed from the sphere of action of the colonial government, and it is expressly provided that no import or export duties can be imposed which would injure the trade of the Netherlands or of other Dutch colonies. If, however, the colonial budget is not submitted by the colonial government within the proper time, or if it is not satisfactory to the King, or if the colony finds its revenues insufficient and needs the financial aid of the

state, the power of determining the items in the budget passes from the colonial to the home government. As there is almost always a deficit in the colonial revenues, in both Surinam and Curaçao, the budgets of both colonies are generally passed upon by the Dutch Chambers. As to the method of preparation, the budget of Curaçao for 1900 may be taken as an example. The Governor submitted it to the Council, May 9, 1899, and it was adopted July 13, after eight amendments had been made in it. This provisional budget, with the Governor's message, the report of the Council, and the message in answer, was then sent to the Netherlands, was presented in the Second Chamber, November 6, and after two unimportant changes had been made in it, was finally acted on in the First Chamber, January 19, 1900. Complaint was made in the Second Chamber, that the budgets of both Curaçao and Surinam were presented to the members too late to allow them the proper amount of time for examination, and neither budget was finally adopted till several weeks after the opening of the fiscal year. So far as shown by the documents used by the present writer, both budgets were adopted substantially as they were when submitted by the colonial governments. The demand for a subvention from the home government evoked no special criticism, though the hope was expressed that it might cease in time.¹

In explanation of Table D,² revenues and expenditures of Surinam and Curaçao, few words will be necessary. The expenditures on immigration are for the

¹ Reference to the tables appended (pp. 101, 102,) will show that there is a great discrepancy in the figures of the subventions as stated in the Dutch budget and in the colonial budgets. The figures in the colonial budgets represent probably the sums finally granted. The figures in the Dutch budget date from its introduction in the Second Chamber, Sept. 21, 1899.

² P. 103.

office charges of the bureau that supervises the coolie traffic, and for advances and premiums to colonists. The large expenditure on the colonial marine in Surinam is explained by the fact that the rivers of the colony take the place of highways in large part, and the government maintains many small steamers for the use of officials.

Of the sources of revenue import duties and the internal tax on liquor are by far the most important. In the report on the budget of Surinam by a committee of the Second Chamber the fear was expressed that the colony might become too dependent on them. Export duties are levied on staple products in most of the islands of the colony of Curaçao, but have been abolished in Surinam since 1895 and are replaced there by a tax on the production of gold. Under special revenues in Surinam the writer has grouped two sums, coming from a former loan and from a pension fund that had just been abolished.

CLIVE DAY.

TABLE A.

BUDGET OF THE NETHERLANDS, 1900. DEPARTMENT OF THE COLONIES. EXPENDITURES.

I. Costs of the department (salaries, etc.)	fl. 237,679
II. Expenditures for Surinam :	
Salary, etc., of governor	30,500
Pensions for former governors	8,649
Army for defence of the colony	375,000
Pensions, etc., for former members of army	92,117
Contribution to the colonial revenues	99,052
	605,318
III. Expenditures for Curaçao :	
Salary, etc., of governor	20,508
Pensions for former governors	5,400
Army for defence of the colony	177,000
Pensions, etc., for former members of the army	31,000
Contribution to the colonial revenues	48,888
	282,796
IV. Pensions of officials of former possessions on the Coast of Guinea	11,869
V. Other pensions, etc.	28,942
VI. Unforeseen expenditures	40,000
Total	1,206,604

Staatsbegrooting, 2 X. 1.

TABLE B.

BUDGET OF THE DUTCH EAST INDIES, 1899.

REVENUES.

[000 omitted.]

Direct taxes :

a. Land revenue from natives (mainly land tax)	18,234
b. Land tax on non-natives	2,138
c. Business tax, Orientals	3,026
d. Business tax, Europeans	970
e. Tax on personal property	927
f. Tax on vehicles	280
g. Tax on public sales	685
h. Poll tax	3,146

Other taxes, etc. :

i. Stamp duties, succession and transfer taxes	2,000
j. Import and export duties	10,887
k. Excise taxes	7,974
l. Receipts from education (school fees)	492
m. Port and wharf dues, pilotage, etc.	802
n. Post and telegraph	2,289
o. Miscellaneous	2,677

Sale of products by the government (gross receipts):

p. Coffee	14,170
q. Quinine	149
r. Tin	8,318
s. Other products	2,151

Monopolies:

t. Opium	18,916
u. Salt	8,807
v. Other revenues farmed out	3,243

Other receipts:

w. Receipts from the State forests	2,656
x. Railroads and tramways	11,980
y. Lease of land and buildings	1,641
z. Miscellaneous receipts	4,184

Total 132,743

SUMMARY.

	Amount.	% of total.
Taxes, etc	56,527	42.6
Sale of products	24,789	18.7
Monopolies	30,965	23.3
Other receipts	20,461	15.4

132,743 100

Jaarcijfers, Kolonien, 102, 103, 104.

TABLE C.

BUDGET OF THE DUTCH EAST INDIES, 1900. EXPENDITURES.

[000 omitted.]

	I. In the Netherlands.	II. In the Indies.
I. Superior Government	fl. 37	1,108
II. Justice	70	5,330
III. Finance	13,054	12,824
IV. Internal Administration	986	29,558
V. Education, Religion and Industry	1,262	16,625
VI. Public Works	3,763	21,889
VII. War	5,247	25,254
VIII. Navy	3,669	4,574
IX. Contribution of Dutch India to the Treasury of the Netherlands	"Memorie"	-----
Total	28,088	117,162 28,088
Grand total		145,251
Estimated revenues		141,931
Deficit		3,320

Begrooting van Nederlandsch-Indie, No. 8, No. 22, Memorie van Toelichting.

TABLE D.

BUDGETS OF SURINAM AND CURAÇAO, 1900.—EXPENDITURES.

[000 omitted.]

	Administration.	Justice and Police.	Administration of Finances.	Religion, Education, Poor, etc.	Public Works.	Pensions, etc.	Unforeseen Expenditures.	Local Expenditures.	Militia at Paramaribo.	Immigration.	Colonial Marine.	Total.
Surinam---	149	356	302	526	452	218	50	---	7	48	317	2,424
Curaçao---	77	118	54	115	65	158	20	79	---	---	---	685

REVENUES.

	Import Duties.	Excise on Liquor.	Leases of State Land.	Deductions for Pensions.	Gold or Export duties	Stamp Duties.	Postal Receipts.	House or Land Tax.	Income Tax.	Contribution from Dutch Treasury.	Special	Other.	Total.
Surinam--	1,100	200	131	87	63	42	32	49	62	128	242	288	2,424
Curaçao--	110	93	24	28	17	13	74	87	---	83	---	156	685

Begroting van Suriname, No. 6, No. 9, do. Curaçao, No. 6, No. 9.

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